



A.B.N. 70 979 095 411
A.C.N. 097 228 656

PO Box 448
Turrumurra NSW 2074

Phone +61 2 9402 9402
Fax +61 2 9144 3526

admin@nacma.com.au
www.nacma.com.au

Member Update

Title: Exchange of views - NACMA & Shipping Australia Limited – issue containers

No. of pages 4

Update No.: 23 of 08

Date of Issue: 12th August 2008

Distribution

- NACMA Members – primary contact list. Please circulate to all appropriate internal parties

Background

A number of NACMA members have expressed concerns relating to the modus operandi of shipping companies and the allocation of food grade shipping containers.

Correspondence

NACMA wrote to Shipping Australia Limited (SAL) the trade association representing shipping companies. NACMA's letter is attached.

SAL reply is also attached and they have advised that supply of equipment is essentially a commercial issue for negotiation between NACMA members and the shipping lines.

Member comment

The NACMA Board would like to receive member comment on this issue. Please forward comment by Friday 29th August 2008.



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4 March 2008

Shipping Australia Ltd

PO Box 388
QVB PO,
Sydney NSW 1230



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Re: DCT Exports and Food Grade Containers

The National Agricultural Commodities Marketing Association Ltd represents the interests of Australian based grain and commodity traders.

Many of our members are engaged in the "DCT" (Delivered Container Terminal) export trade, under which the DCT Buyer is required to supply the packer of the container with the necessary "food grade" containers.

As you are aware, the export of wheat in shipping containers has been deregulated and current projections suggest a summer crop significantly in excess of that produced in recent years.

These two factors are likely to produce a substantial increase in the demand for "food grade" containers for the export of grain in the coming months.

NACMA's members are already reporting difficulty in securing a reliable supply of "food grade" containers for export, and slots for shipment. We would like to work with Shipping Australia and its members to better understand the relevant dynamics of supply and demand for "food grade" containers and to explore whether there may be any ways of improving supply for the benefit of your members and ours.

We understand that your next Council meeting will be held on 11 March and we look forward to hearing from you following that meeting.

Yours sincerely,


Geoff Honey
Chief Executive Officer

18 April 2008

Mr Geoff Honey
Chief Executive Officer
NACMA
PO Box 448
TURRAMURRA NSW 2074

Dear Mr Honey

Supply of Export and Food Grade Containers

The SAL Policy Council at its most recent meeting considered your letter dated 4 March 2008, advising difficulty in obtaining Food Quality (FQ) containers and seeking to work with SAL to better understand the relevant dynamics of supply and demand for FQ containers and to explore whether there may be ways in improving supply. This issue has also been raised in South Australia and Fremantle. SAL has participated in various meetings with Grain Packers, brought about by the lack of DPI (food grade 20 foot equipment) being made available by shipping companies for grain after last years deregulation of the industry.

Members of Shipping Australia are of the view that this is in the main a commercial issue. Most of the containers arriving in Australia with import cargo are not FQ and upgrading is very costly. The weight of grain containers are also of concern and the general view is that there is little financial incentive for shipping companies to carry this cargo.

The demand for grain ships is high for movement between USA and Asia and freight rates on those bulk ships are significantly higher per tonne than the cost of shipping in containers (some LC's stipulate carriage in containers). When the charter rates of vessels that can carry grain in bulk becomes more competitive, the movement of grain from Australia could well change from Containers back to Bulk vessels.

Quarantine export regulations require various cleanliness standards for different commodities and empty depots have to carry this out to the required standard and issue a DPI certificate. It appears that some exporters are also assuming the role of DPI inspectors and are rejecting containers that arrive for loading (which have already been cleared by the depot inspectors). This further exacerbates the problem.

Shipping companies are trailing the movement of grain in 40' equipment, which is more readily available.

Other actions that may ease the problem are:

- Adequate lead time being given to shipping companies by exporters with 'firm bookings', for shipping companies to make suitable containers available.

- The use of non-FQ for the carriage of grain, possibly with the use of liners similar to bulker bags. The use of cardboard liners is not workable. Use of 'false floors' appear to assist (AQIS approval may be necessary)
- Shippers may wish to enter into 'service contracts' with shipping companies to satisfy their demand.

I trust that this assists with your understanding of the supply and demand for FQ containers.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Llew Russell', with a stylized flourish at the end.

Llew Russell
Chief Executive Officer
Shipping Australia Limited